

FY 1998 Proposed Rail Improvement Program Supplement Update Bloomington II July 1997



**Illinois Department
of Transportation**



Illinois Department of Transportation

Office of Planning and Programming
2300 South Dirksen Parkway / Springfield, Illinois / 62764

July 28, 1997

Dear Rail Program Supplement Recipient:

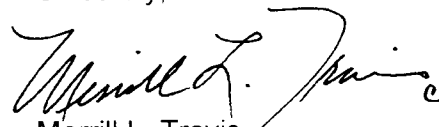
This document is an amendment to the FY 1998 Illinois Rail Improvement Program Supplement. This amendment analyzes the potential for use of state funds as a share of the costs to rehabilitate and construct a rail siding in Bloomington, Illinois. the analysis presents the Illinois Department of Transportation's findings on the benefits and costs associated with the project using the department's standard benefit-cost methodology. This is a required step in making a project eligible for assistance under the department's loan program, but does not guarantee the project will be funded.

I urge you to review this Amendment and to provide any comments you might have. Comments may be made orally or in writing. As described more fully in the attached Offer of Public Hearing, a hearing may be held if sufficient interest warrants. Please send comments to:

Mr. Dow Grider
Bureau of Railroads
Illinois Department of Transportation
2300 S. Dirksen Parkway, Room 302
Springfield, Illinois 62764

If you have any questions or desire additional information, please call Dow Grider at 217/785-8495

Sincerely,


Merrill L. Travis
Chief, Bureau of Railroads

Enclosure

PUBLIC HEARING OFFER
BY
THE ILLINOIS DEPARTMENT OF TRANSPORTATION
CONCERNING THE JULY 1997
ILLINOIS RAIL IMPROVEMENT PROGRAM SUPPLEMENT AMENDMENT:
BLOOMINGTON II

The Illinois Department of Transportation hereby provides an offer for a public hearing. Should sufficient interest exist, the department will provide a formal hearing on the project contained in this amendment. In lieu of hearings, more information can be obtained and written or oral comments can be tendered for the record.

The Department proposes to fund a portion of the costs to rehabilitate and construct a rail siding in Bloomington, Illinois within the former Chicago, Missouri & Western rail yard.

A portion of the project's costs would be provided by the Illinois Rail Freight Program. Copies of the report detailing costs and benefits may be obtained free of charge by calling or writing to the address shown below.

Oral or written comments for the record may be forwarded to the following address. These comments will be accepted for the public record until August 29, 1997. Any interested person who believes a public hearing should be held for this project should forward a written request on or before August 15, 1997 to:

Mr. Dow Grider
Rail Plan Manager
Bureau of Railroads
Illinois Department of Transportation
2300 S. Dirksen Parkway, Room 302
Springfield, Illinois 62764

(Phone: 217-785-8495)

AN AMENDMENT TO
THE FY 1998 RAIL IMPROVEMENT PROGRAM SUPPLEMENT
JULY 1997
BLOOMINGTON II
ILLINOIS DEPARTMENT OF TRANSPORTATION

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PREFACE

The purpose of this amendment to the FY 1998 Rail Improvement Program Supplement is to present an analysis which has been formulated, using prescribed methodology, to assist in an investment decision concerning track rehabilitation and new track construction work within the former Chicago, Missouri & Western rail yard located in Bloomington, Illinois.

The Illinois Department of Transportation provides financial assistance to railroads, rail users, and units of local government for projects that maintain, improve and enhance rail freight services in Illinois. Financing is made available primarily through low interest loans from the Program. All projects financed by the department must be analyzed and found eligible through the use of a benefit/cost analysis. Projects with a benefit to cost ratio of one or greater are eligible. However, additional criteria must be met before any project funds are obligated.

LINE: Bloomington II: At Bloomington, Illinois
OWNER: Grain Elevator Consortium
OPERATOR: Union Pacific Railroad (UP)

PROBLEM STATEMENT:

Two grain elevators in the Bloomington area are creating a partnership to joint venture a new rail-served grain storage and handling facility to be located in a portion of the former Chicago, Missouri & Western's (CMNW) Bloomington rail yard. The new grain facility and attendant new track construction/rail rehabilitation work would enable area grain elevators to access new markets and to obtain better rail rates through volume shipping.

The following analysis seeks to determine whether the benefits of constructing this new facility exceed the costs, thereby making a trackwork investment eligible under the State's Rail Freight Assistance Program.

BACKGROUND:

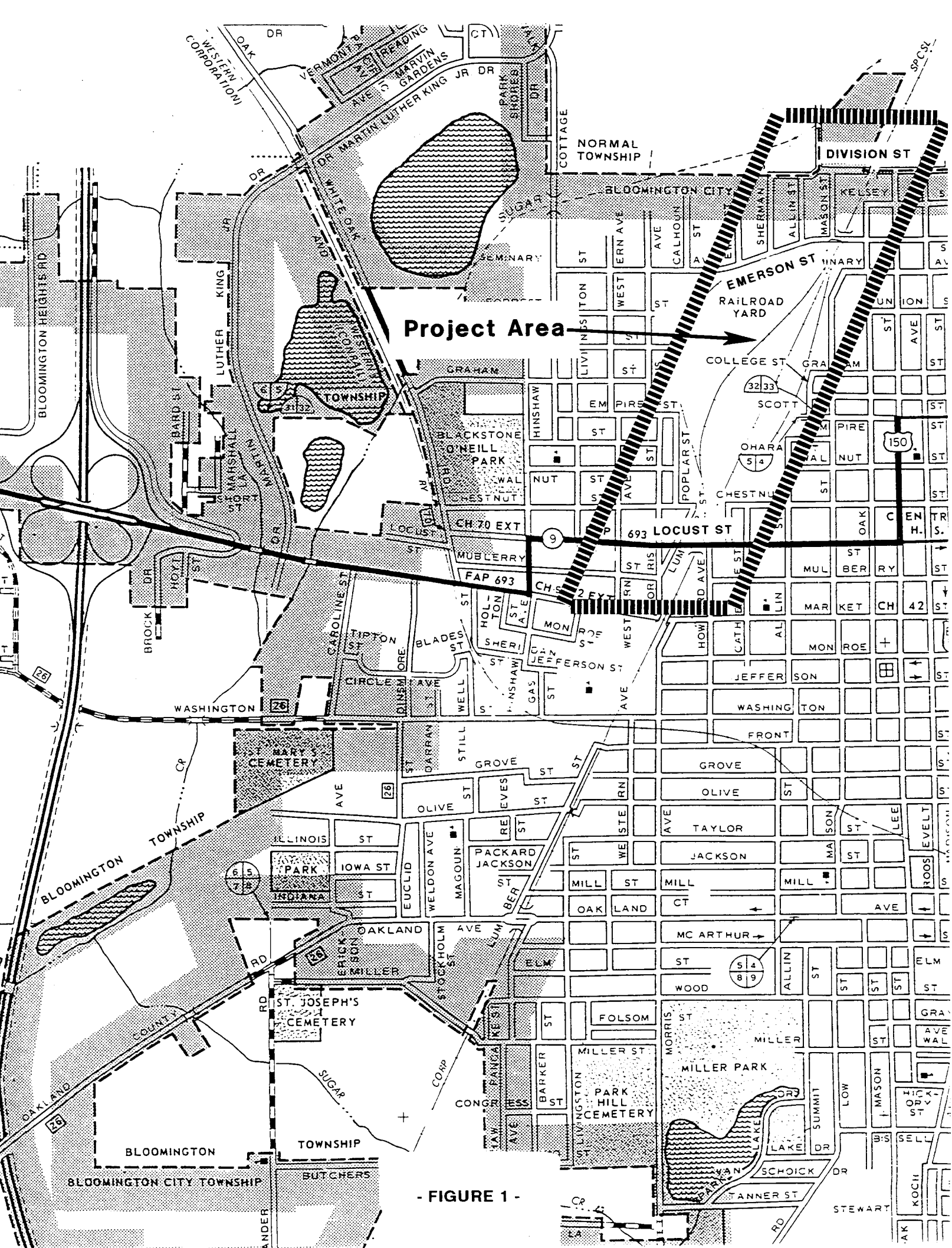
Due to capacity constraints on UP main lines, the UP has initiated a program that provides rate incentives to grain facilities that re-configure their track layouts to allow for the expedited loading (fifteen hours) of 75 car grain "shuttles". Grain elevator track configurations, as designed in the past, generally do not allow for the efficient movement or handling of shuttle trains. Oftentimes, due to multiple track configurations at elevator sidings, main and branch lines flows are interrupted while unit trains are pieced together. The handling facility envisioned by the grain elevators noted above would be served by the UP, would be regional in nature in that it would accomodate a market area representing at least eight grain elevators, and would have access to southern domestic and Gulf export markets. In addition, the facility, due to its size and rail capabilities, would be able to meet the UP's new guidelines and standards for grain shuttle locations on medium density lines.

CURRENT CONDITIONS:

Location: The former CMNW rail yard in Bloomington is located on the City's Northwest side, east of Interstate 55 and north of Route 9. The proposed facility would be served from the UP's Chicago - St. Louis main line. Figures 1 and 2 illustrate the facility's location in relation to the surrounding highway/roadway network.

Physical Condition: The condition of the sidetracks / industry tracks at the subject location is extremely poor, consisting of numerous short lengths of 90 and 112 pound broken rail. Ties are in poor condition. The Chicago - St. Louis main line to which these tracks connect, however, is in very good condition and is certain to remain so, as it carries increasing amounts of important traffic, both freight and passenger.

Alternate Transportation: An economical transportation alternative for the type and amount of projected traffic, bound for Southern US and Gulf locations, at the subject location does not exist.



- FIGURE 1 -

DIVISION ST

EMERSON ST

LEGEND

REHABILITATION

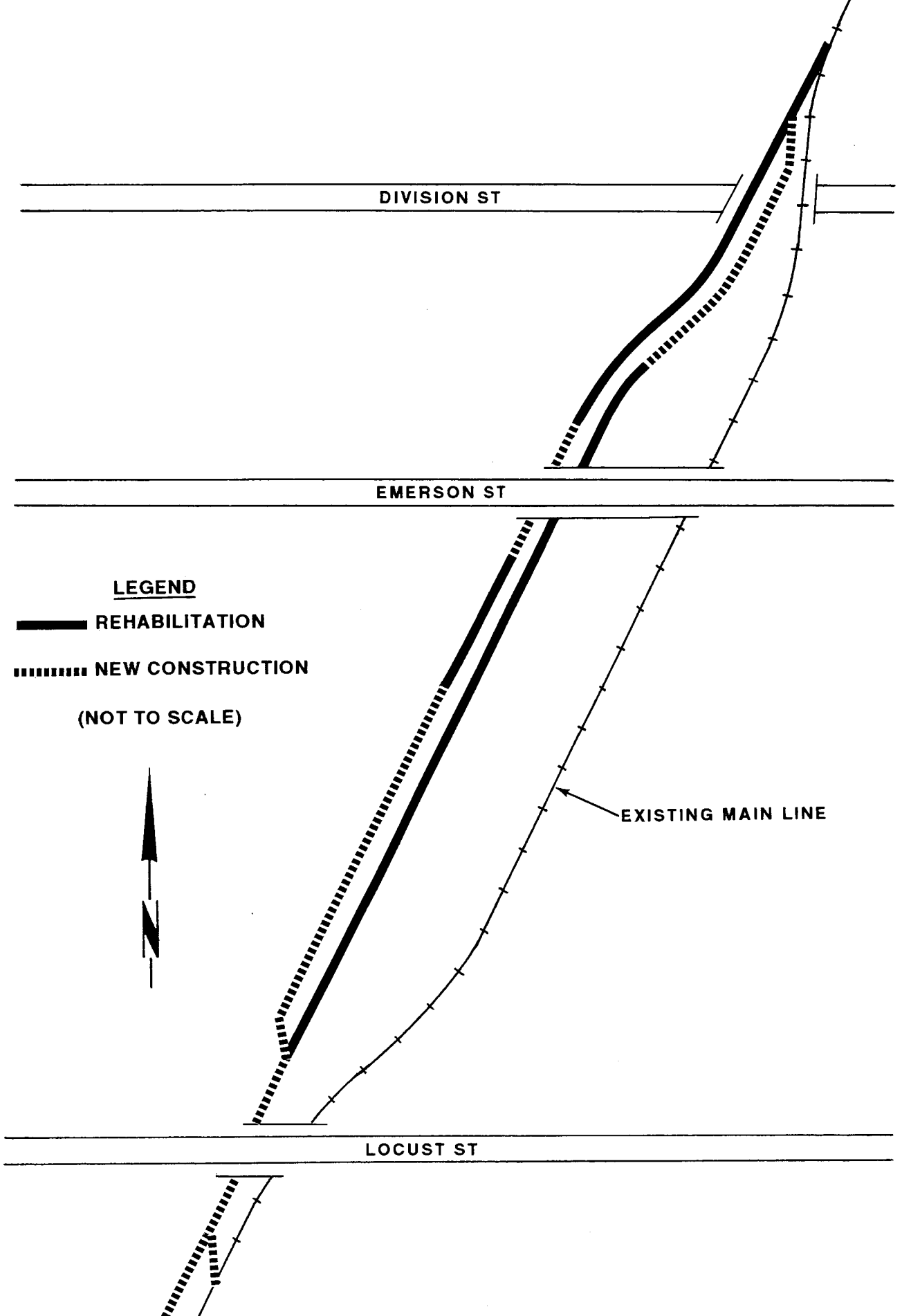
NEW CONSTRUCTION

(NOT TO SCALE)



EXISTING MAIN LINE

LOCUST ST



INVESTMENT OPTIONS: So to determine if an investment in new track construction is feasible, it is compared to a no investment option. The investment option considered here involves the construction and rehabilitation of 11,775 feet of track to accommodate a minimum of 75-car grain shuttle trains. A no investment option would mean that the rail accessible markets noted above would not be opened for area elevators and farmers.

No Investment Option: Failure to invest in new rail construction at the subject Bloomington location will prevent the grain company consortium from opening new markets at an economical shuttle train rate. Employment opportunities at the new grain facility would be foregone with no investment.

Investment Option: Investment in new rail construction at the subject Bloomington location would open markets for at least eight area elevators, providing them with more economical shuttle train rates. Area farmers should also be assured of higher prices via pass-through rate savings. Estimated project costs are found in Table 1.

Table 1
ESTIMATED PROJECT COSTS

Item	Units	Material	Labor/Equip.	Total
Crosstie Renewal	Each	\$ 71,280.00	\$62,640.00	\$ 133,920.00
Rail & OTM	Lineal Ft.	196,700.00	84,300.00	281,000.00
Clearing & Grubbing	Lump Sum		7,000.00	7,000.00
Grading	Lump Sum		15,000.00	15,000.00
Sub-ballast	Cubic Yd.	32,370.00	20,501.00	52,871.00
Track Construction	Track Ft.	161,470.00	62,550.00	224,020.00
Turnout Construction	Each	66,200.00	37,500.00	103,700.00
Ballast	Cubic Yd.	49,215.00	14,765.00	63,980.00
Surface, Align & Dress	Track Ft.		65,312.00	65,312.00
Misc. Matl. & Labor	Lump Sum	9,660.00	11,150.00	20,810.00
Scrap Steel Credit	Gross Ton	(22,050.00)		(22,050.00)
Grain Facility	Lump Sum			1,600,000.00
Bonds & Insurance	Lump Sum			23,639.00
Track Work by UP	Lump Sum			120,000.00
Utility Relocation	Lump Sum			20,000.00
Subtotal	Lump Sum			2,709,202.00
Contingencies	Lump Sum			<u>135,460.10</u>
Estimated Project Cost Grand Total				\$2,844,662.10

The estimated project cost is reduced by the residual value to approximate the remaining economic value of the improvement at the end of a five year project life. The project cost used for this analysis thus becomes:

	<u>Rail, OTM, Facility</u>	<u>Ties</u>	<u>Total</u>
Cost	\$1,952,500.00	\$152,810.00	
%Life Remaining	<u>x.75%</u>	<u>x.67%</u>	
Residual Value 5 Yrs.	\$1,464,375.00	\$102,383.00	\$1,566,758.00
Present Worth Factor			<u>x.621</u>
Present Worth Res. Val.			\$ 972,957.00
In Summary	Project Cost:		\$2,844,662.00
	Less Present Worth Residual:		<u>\$ 972,957.00</u>
	Project Cost for Analysis:		\$1,871,205.00

BENEFITS: As noted earlier, the grain storage/handling facility in question is still in the planning or pre-construction phase and not operational. The benefits that the grain elevator consortium expects to derive, therefore, are speculative and based upon industry experience and consultant findings. Transportation benefits to be derived from the ability to ship 75 to 100 car grain shuttle trains within time guidelines determined by the rail carrier are real and quantifiable. Benefits for area elevators to be derived from trucking corn to Bloomington as opposed to Decatur or Peoria are quantifiable. Benefits to be derived from job creation, a component of plant construction and operation, are quantifiable. The benefits presented here are based upon industry expectations, and consultant findings with respect to the expected return on investment within an anticipated volume/margin-savings scenario.

Transportation Related Benefits: Anticipated transportation related benefits in the amount of \$1,981,215 are quantified over a five year period in Table 2.

Table 2
Transportation Related Benefits

<u>Project Years</u>	<u>Estimated Average Profitability & Cash Flow</u>	<u>Discount Factor</u>	<u>Discounted Benefits</u>
1 - 5	\$522,610	3.791	<u>\$1,981,215</u>
Total 5 Years			\$1,981,215

Employment Benefits: Employment benefits provided by the proposed rail construction and rehabilitation project include the employment of three full-time personnel and two part-time personnel. This employment benefit of \$487,902 is quantified over a five year period and is illustrated in Table 3.

Table 3
Employment Benefits

<u>Project Years</u>	<u>Wage Benefits</u>	<u>Discount Factor</u>	<u>Discounted Benefits</u>
1-5	\$128,700	3.791	\$487,902

BENEFIT/COST ANALYSIS: The transportation related and employment benefits attributable to this project over a five year period are \$2,469,117. These benefits when compared to the net project cost of \$1,871,705 yield a benefit/cost ratio of 1.32, thereby qualifying the project for program funding.

$$\frac{B}{C} = \frac{\text{Transportation Benefits} + \text{Employment Benefits}}{\text{Net Project Cost}}$$

$$\frac{B}{C} = \frac{\$1,981,215 + \$487,902}{\$1,871,705} = \frac{\$2,469,117}{\$1,871,705} = 1.32$$